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From:

Sent: Friday, October 15, 2010 2:58:17 PM

To:

Cc:

Subject: RE: New TEFRA case

The merits of the adjustment are outside of my jurisdiction and could arguably be governed by the disguised sale rules of 707 as to timing, etc..

All of the issues you raise concerning the recharacterization of a loan from a partner to Partnership B having to be recognized as a sale from the partner to the partnership are partnership items of Partnership B that must be determined at the Partnership B level. See Treas. Reg. 301.6231(a)(3)-1(a)(4)(iii) and - 1(c)(4).

The settlement agreements by the indirect partners are valid and convert the issue to a nonpartnership item for them. Consequently, they will not be a party to any proceeding for Partnership B for this issue under section 6226(d)(1)(A).